

The Great Depression - day 3

Entrance task: Think: What was Hoover's biggest mistake?

Today: Hoover tries but fails . . .

Homework - Ch. 21-4



Bonus Army - Congress denied giving early pension World War I veterans and families, so veterans camped out in Wash.. DC in protest. The US Army was directed to use *force to drive them out. The perception was worse than the event.*

Considered one of the top 10 presidential mistakes in history!

*Mellon pulled the whistle,
Hoover rang the bell,
Wall Street gave the signal
And the country went to hell.*

2.19 min Bonus Army clip



Day 3 Great Depression

What Should Be Done About the Depression?

It is March, 1933 and you have just been inaugurated as President. Your main goal is to get the nation out of the worst depression in its history. Your secretary has given you the following proposals from advisers on how to combat the depression. Put a check next to the three proposals you would adopt.

_____ 1. The government should plan our economy. With central planning by the government, the economy

could grow without having periodic business depressions. Such public goals as economic equality should, if necessary, be forced on business leaders.

_____ 2. The government should help business out in order to restore public confidence in the economy. We should tax the rich business leaders less and give subsidies (aid) to businesses. The businesses will use this help to expand production. Then they will hire more workers, and the economy will get moving again. There should be a minimum of welfare for the poor, as this drains off money from the businesses.

_____ 3. The government should bring businesses together and set up a planning agency, run by the government, to help them get going again. Within the agency the businesses would set up their own guidelines and regulations. For example, they could charge higher prices and cooperate rather than compete. Of course the government would watch over the agency, but the business leaders would run the agency. They know how to get business going again.

_____ 4. The government must balance the budget. Almost all business leaders believe that this is a healthy way to run both government and business. Thus their confidence will be restored in the economy, they will expand production and the economy will get moving again.

_____ 5. The government must give much more welfare relief to the millions of people who are suffering from the Depression. It is the obligation of government to protect its poorer citizens from such suffering. The money to pay for the welfare should come from heavier taxes on rich people. If the poor have more money, they will buy more products and businesses will be able to expand. In this way the country will get out of the Depression.

_____ 6. To get out of the Depression the government should engage in deficit spending – that is, it should spend much more money than it takes in through taxes. By pumping more money into the economy, the government would stimulate more spending by both consumers and businesses. This would get the economy moving again.

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_____ 7. The nation should adopt a "share the wealth" program. The government should confiscate (take away) all the wealth of people who have more than \$50,000 and share it with the poor who are suffering.

_____ 8. The government should expand the military and start a huge arms build up. This will create jobs for many millions of workers. People will feel they are contributing to the strength of the nation, and businesses and government will cooperate to get the country out of the Depression. People should be made to think of what is good for our nation, not just for themselves.

_____ 9. The workers must take over all the industries in the country. The government, controlled by the common people, should abolish (do away with) private ownership of businesses and bring about real equality. As a result of this takeover, workers will no longer be exploited by the powerful business leaders but will be truly free. Only in this way can the country get out of the Depression and avoid future depressions.

_____ 10. Private charities should help the poor survive. The government really has no legitimate role in aiding the poor. In fact, government welfare causes people to lose the incentive to work and thus destroys the moral fiber of the country.

ECONOMIC VIEWPOINTS

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ADAM SMITH: 1723-1790 The Wealth of Nations

- A. Laissez-faire: no gov't interference in the economy
- B. Free competition
- C. Free Trade

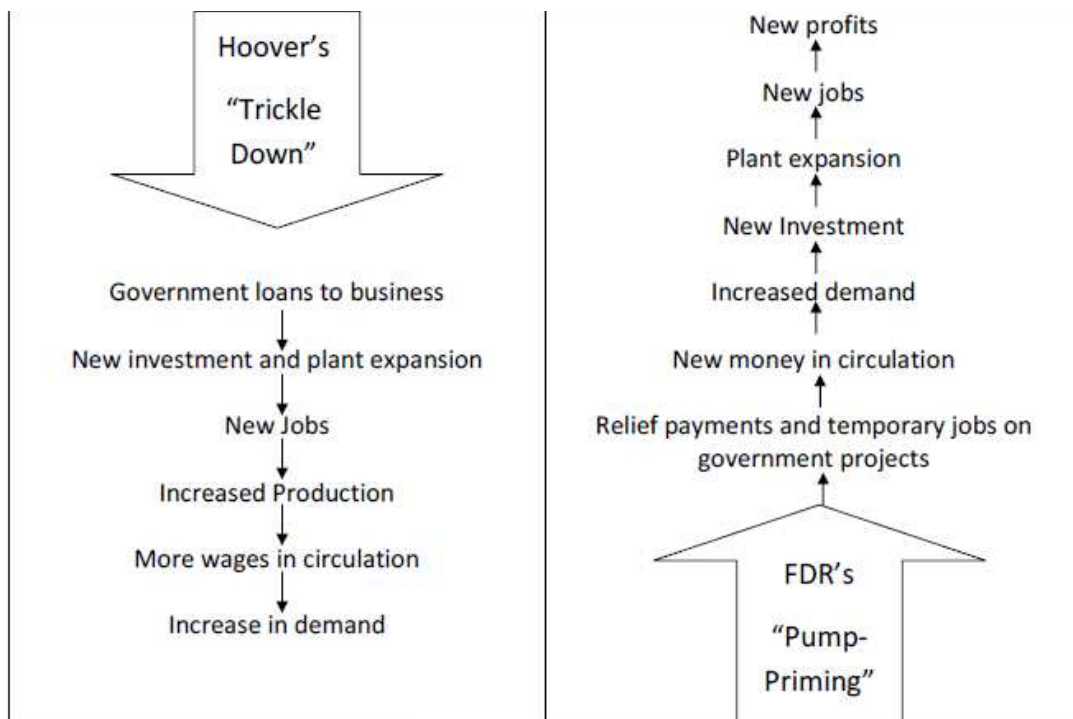
THOMAS MALTHUS: 1766-1834 Essay on the Principle of Population

- A. Population increases more rapidly than the food supply. Geometric v. arithmetic ratio
- B. Rapid population growth depresses living standards
- C. Past population was limited by famine, disease, natural catastrophe, and war
- D. Urged curtailment of population growth: abolish welfare (gov't), postpone marriage & limit family size

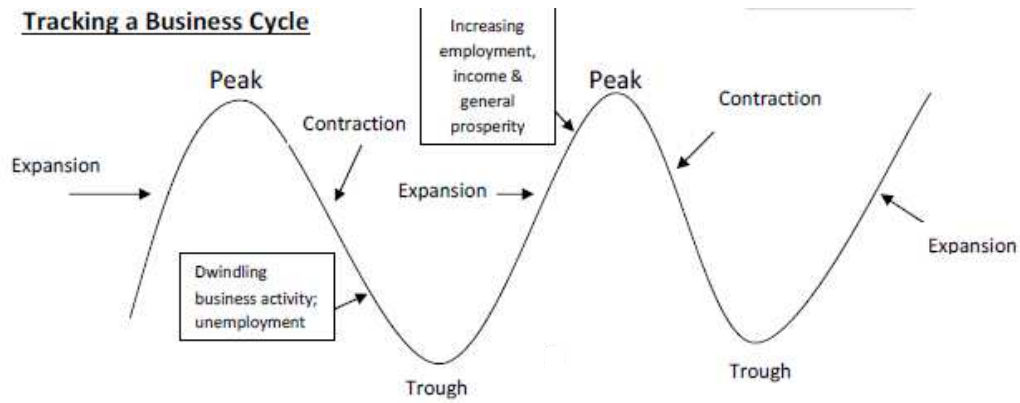
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KARL MARX: 1818-1883

- A. Economic conditions determine the course of history
- B. Class struggle between Bourgeoisie & Proletariat
- C. Capitalists exploit workers; surplus value is produced by the workers but then taken by the capitalists
- D. Eventually the proletariat will overthrow the bourgeoisie and establish a communist state.
- E. Each person gives according to their ability and receives according to their needs



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JOHN MAYNARD KEYNES: (1883-1946)

- A. Government should take an active role in regulating the economy
- B. Government can maintain a healthy economy by controlling the amount of money in circulation
- C. Government can control the amount of money in circulation by using income taxes, government spending & credit (interest) rates

If there is inflation:

If there is deflation:

↑	Taxes	↓
↓	Spending	↑
↓	Credit	↓

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Classical Economics: a school of economics that believes that free markets can regulate themselves

Demand Side Economics (John Maynard Keynes): a school of economics that believes that *government spending* and *tax cuts* should be used to stimulate demand during times of economic downturn (Keynesian Economics)

Supply Side Economics (J.B. Say): a school of economics that believes that government spending and tax cuts should be used to stimulate supply during times of economic downturns.

1932 Presidential Election



Hoover: *"This campaign is more than a contest between two men . . . it is a contest between two philosophies of government."*



FDR won by more than 7 million popular votes

Roosevelt: *"I feel that we are coming to a view through the drift of our legislation and our public thinking in the past quarter century that private economic power is . . . a public trust as well."*



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The presidential campaign of 1932 was a contest not only between two men, but also between two contrasting views of government. The country was in the throes of the Depression. President Herbert Hoover explained in a 1928 speech why a limited government role was best, while President Franklin Roosevelt argued in his inaugural address in 1933 that an expanded government role was necessary.

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- from Hoover's Madison Square Garden Address, 1928	- from Franklin D. Roosevelt's Inaugural Address, 1933
<p>"During one hundred and fifty years we have built up a form of self-government and a social system which is peculiarly our own....It is founded upon a particular conception of self-government in which decentralized local responsibility is the very base....</p> <p>During the war we necessarily turned to the government to solve every difficult economic problem....However justified in time of war, if continued in peacetime it would destroy....our progress and freedom....the acceptance of these ideas would have meant the destruction of self-government through centralization of government. It would have meant the undermining of the individual initiative and enterprise through which our people have grown to unparalleled greatness. "</p>	<p>"Our greatest primary task is to put people to work. This is no unsolvable problem if we face it wisely and courageously. It can be accomplished in part by direct recruiting by the Government itself, treating the task as we would treat the emergency of a war, but at the same time, through this employment, accomplishing greatly needed projects to stimulate and reorganize the use of our natural resources.</p> <p>....The task can be helped....by national planning for and supervision of all forms of transportation and of communications and other utilities which have a definitely public character. There are many ways in which it can be helped, but it can never be helped merely by talking about it. We must act quickly.</p> <p>....We now realize as we have never realized before our interdependence on each other;....that if we are to go forward, we must move as a trained and loyal army willing to sacrifice for the good of a common discipline."</p>

Why did Hoover say that a limited government role to solve the problems of the Depression was best?

What did Roosevelt say was the primary task of government?

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According to Roosevelt, he compared the Depression to

And because of those similarities (answer to #3), Americans must behave like a:

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Homework - Ch. 22-1 FDR Offers
Relief, Recovery, and Reform